

Message Text

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INFO OCT-01 IO-13 ISO-00 ABF-01 EB-08 INR-10 SS-15
SP-02 L-03 AF-10 ARA-10 EA-10 EUR-12 NEA-10 CA-01
/111 W
-----034558 181859Z /44
P 181648Z AUG 78
FM USMISSION GENEVA
TO SECSTATE WASHDC PRIORITY 3290

C O N F I D E N T I A L SECTION 01 OF 03 GENEVA 12626

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E.O. 11652: GDS
TAGS: ICEM
SUBJECT ICEM'S PARLOUS SITUATION REVEALED

1. MISSION HAS JUST RECEIVED AND FORWARDED TO DEPARTMENT (HA) A DOCUMENT PREPARED FOR THE FORTHCOMING ICEM SUB-COMMITTEE ON BUDGET AND FINANCE (SCBF) SESSION SCHEDULED FOR SEPTEMBER 20 THROUGH 22. THE DOCUMENT, ENTITLED "ADDITIONAL AMENDMENTS TO THE PROGRAM AND BUDGET FOR 1978", AND LABELED "RESTRICTED; SCBF/175", DISCUSSES IN DETAIL THE VERY PRECARIOUS FINANCIAL CONDITION IN WHICH THE ORGANIZATION RESTS TODAY, IN GREAT PART BECAUSE OF THE FALLING DOLLAR SITUATION. IN VIEW OF THE RELATIVE IMMINENCE OF THE SCBF, THE MISSION FEELS THE DEPARTMENT SHOULD BE APPRISED OF THE MAIN POINTS OF THIS DOCUMENT IMMEDIATELY FOR CONSIDERATION AS TO ACTIONS WE MIGHT BE TAKING TO MEET A TRULY EMERGENCY CONDITION IN AN ORGANIZATION IN WHICH WE HAVE GREAT INTEREST.

2. THE DIRECTOR (THE DOCUMENT IS WRITTEN IN PERSONAL FASHION, IN THE THIRD PERSON SINGULAR) POINTS OUT THAT ORIGINAL 1978 PROGRAM AND BUDGET PROPOSALS (MC/1197) PRESENTED TO THE ICEM COUNCIL IN NOVEMBER 1977 WAS AMENDED IN
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FEBRUARY BY DOCUMENT MC/EX/361, WHICH WAS APPROVED BY THE EXECUTIVE COMMITTEE IN MARCH 1978. CURRENT DOCUMENT PRESENTING ADDITIONAL BUDGET AMENDMENTS SHOULD THEREFORE BE READ IN CONJUNCTION WITH PRECEDING DOCUMENTS. INCREASE IN NUMBER OF INDOCHINESE REFUGEES TO BE MOVED IN 1978 HAS REVISED MOVEMENT ESTIMATES TO 74,650, OR 10,800 MORE THAN GIVEN IN THE SPRING OF 1978.

3. THE PROGRAM AND BUDGET PROPOSALS SUBMITTED TO THE ICEM COUNCIL IN NOVEMBER 1977 INDICATED AN ADMINISTRATIVE BUDGET OF \$5,650,000 BASED ON A RATE OF 2.4 SWISS FRANCS TO THE DOLLAR. THE REVISED BUDGET, PREPARED IN JANUARY 1978, WAS RECALCULATED AT 2.0 SWISS FRANCS TO THE DOLLAR, ADDING \$867,500 TO THE ADMISTRATIVE BUDGET. HOWEVER, DIRECTOR TOOK ACTION TO EFFECT SAVINGS OF \$255,500 BY "NOT FILLING VACANT BUDGET LINES", REDUCING COMMUNICATIONS, GENERAL OFFICE AND CONTRACTUAL SERVICES EXPENSES AND OTHER MEASURES. ACCORDINGLY, REVISED BUDGET PRESENTED TO EXECUTIVE COMMITTEE IN MARCH REFLECTED AN INCREASE OF \$612,000, FINANCED BY AN ESTIMATED INCREASE OF \$112,000 IN MISCELLANEOUS INCOME AND \$500,000 FROM MEMBER GOVERNMENTS. THE DIRECTOR FELT THAT ANY AMOUNTS ABOVE THE REQUIRED \$500,000 COULD BE ABSORBED WITHOUT ADDITIONAL COST TO MEMBERS PROVIDED THE SWISS FRANC DID NOT FALL BELOW 1.95 TO THE U.S. DOLLAR. HOWEVER, BETWEEN MARCH AND JUNE THE SWISS FRANC VARIED BETWEEN 1.93 AND 1.86 TO THE DOLLAR WHICH RESULTED IN AN ADDITIONAL DEFICIT OF OVER \$200,000. THE DIRECTOR FELT, HOWEVER, THAT THIS COULD BE ABSORBED BY ADDITIONAL SAVINGS AT HEADQUARTERS AND FIELD OFFICES. THESE WERE EFFECTED BY NOT FILLING "VACANT OFFICIAL AND EMPLOYEE BUDGET LINES", REDUCING CONSULTANT EXPENSES, CUTTING CONFERENCE AND SEMINAR COSTS, ETC.

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4. DESPITE THESE MEASURES, HOWEVER, AN ADDITIONAL \$219,000 FOR THE ADMINISTRATIVE BUDGET WAS REQUIRED, AS THE EXCHANGE RATE DROPPED TO 1.74 SWISS FRANCS TO THE DOLLAR FOR AUGUST (NOTE: AS OF CLOSE OF BUSINESS AUGUST 17, RATE IS QUOTED IN ZURICH, AFTER A SHARP RALLY BY THE DOLLAR, AT 1.652). THE PROPOSED ADMINISTRATIVE BUDGET TO BE PRESENTED TO THE SCBF WILL THEREFORE BE RECALCULATED AT 1.85 SWISS FRANCS TO THE DOLLAR SINCE THIS IS ESTIMATED AS THE AVERAGE FOR 1978. ACCORDINGLY, REVISED ADMINISTRATIVE BUDGET AS COMPARED TO THAT PRESENTED IN THE SPRING WILL SHOW AN INCREASE OF \$419,000 DUE TO EXCHANGE RATE FLUCTUATIONS, PLUS AN ADDITIONAL \$10,000 REQUIRED FOR A STUDY OF PAYMENTS TO HEIRS, \$15,600 FOR INCREASED PROVIDENT FUND REQUIREMENTS DUE TO REVISION IN U.N. PENSIONABLE SALARY SCALE, \$14,400 FOR TRAVEL, AND \$1,000 FOR INCREASED EDUCATION GRANT.

5. OF THIS TOTAL \$460,000, DIRECTOR HAS TAKEN ACTION, EFFECTIVE IN JUNE, TO ABSORB \$252,000 BY FOLLOWING MEASURES:

A. DELETING TWO HEADQUARTERS OFFICIALS, TRANSFERRING ONE TO INDOCHINA PROGRAM AND ANOTHER TO A FIELD OFFICE:

\$98,300.

B. NOT FILLING TWO VACANT EMPLOYEE BUDGET LINES, DELETING FOUR OTHER EMPLOYEE LINES, TWO OF WHOM ARE RETIRING, AND LIMITING TEMPORARY STAFF: \$77,400.

C. REDUCING CONSULTANT EXPENSES: \$15,000.

D. DEFERRING REPLACEMENT OF THREE REPRESENTATIVES IN CURRENTLY VACANT LINES: \$33,300.

E. SAVINGS OF STAFF BENEFITS RESULTING FROM ABOVE PERSONNEL COSTS: \$10,000.

F. SAVINGS IN CONFERENCES, SEMINARS AND DOCUMENTATION

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C O N F I D E N T I A L SECTION 02 OF 03 GENEVA 12626

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CENTER OPERATIONS: \$18,000.

WITH THESE SAVINGS, THERE REMAINS AN ADDITIONAL REQUIREMENT OF \$208,000, RESULTING IN A REVISED ADMINISTRATIVE BUDGET OF \$6,470,000. PERSONNEL REDUCTIONS, AS COMPARED TO THE PROGRAM AND BUDGET PROPOSALS PRESENTED IN NOVEMBER 1977 AMOUNT TO FIVE OFFICIALS AND SEVEN EMPLOYEES ON THE ADMINISTRATIVE BUDGET SIDE.

6. ON THE OPERATIONAL SIDE, THE BUDGET PRESENTED IN NOVEMBER 1977 SHOWED A PROJECTED DEFICIT OF \$1 MILLION BASED ON OPERATIONAL REQUIREMENTS AND FINANCING FORESEEN AT THAT TIME. SAVINGS OF \$390,350 WERE MADE IN FIELD OFFICES UNDER A-1 STAFF AND SERVICES THROUGH REDUCTION OF TWO OFFICIALS AND 24 EMPLOYEES. FURTHER, THE DOCUMENT STATES, THE OPERATIONAL BUDGET DEFICIT WAS REDUCED TO \$600,000 AS A RESULT OF "A REVISED MOVEMENTS PROGRAM" WHEN DOCUMENT MC/EX/361 WAS PRESENTED IN MARCH. IT WAS CONSIDERED THAT THIS DEFICIT AT THE EARLY POINT IN THE YEAR WAS "NOT TOO WORRISOME"

ALTHOUGH CERTAIN UNKNOWN FACTORS EXISTED AT THAT TIME.

7. ACCORDINGLY, DIRECTOR UNDERTOOK REVIEW OF OPERATIONAL BUDGET IN JUNE BASED ON CURRENT MOVEMENTS PROGRAM AND
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MOST RECENT DEVELOPMENTS. FOLLOWING WERE RELEVANT FACTORS:

A. DECISION OF PORTUGUESE GOVERNMENT TO "AMEND OPERATIONAL AGREEMENT WITH ICEM IN VIEW OF GOP'S INABILITY TO PAY PREVIOUS PER CAPITA CONTRIBUTION BECAUSE OF GOP "AUSTERITY PROGRAM". FURTHER, SINCE NEGOTIATIONS WITH GOP CONCERNING AMENDMENTS TO AGREEMENT WITH ICEM HAVE NOT YET BEEN FINALIZED, DIRECTOR DELAYED ASKING OTHER GOVERNMENTS FOR FINANCIAL SUPPORT TO COMPENSATE FOR ANTICIPATED REDUCTION OF SUBJECT SUPPORT FROM PORTUGAL. APPEALS NOW BEING TRANSMITTED, BUT RESULTS UNKNOWN AT THIS TIME.

B. INCREASE IN STAFF AND SERVICE COSTS DUE TO DOLLAR DECLINE AND INFLATION.

C. INCREASE IN "INTEGRATION ASSISTANCE" FOR MIGRANTS TO VENEZUELA DUE TO HIGHER MOVEMENTS.

D. REDUCTION IN MIGRANT AND SPONSOR INCOME FOR MOVEMENTS TO BRAZIL DUE TO "RESTRICTED INTAKE" BY GOB.

E. REDUCTION IN LUMP SUM CONTRIBUTIONS PREVIOUSLY ANTICIPATED IN DOCUMENT MC/EX/361.

ABOVE FACTORS CUMULATIVELY RESULTED IN INCREASE IN OPERATIONAL BUDGET DEFICIT TO \$1 MILLION.

8. TO MEET CRISIS, DIRECTOR TOOK APPROPRIATE ACTION TO CUT EXPENSES FOR "NON-STAFF" ITEMS, E.G., GENERAL OFFICE COSTS, COMMUNICATIONS, REPRESENTATION, ETC., AND IN JUNE INSTRUCTED OFFICES TO REDUCE EXPENSES BY TEN PERCENT FOR THE YEAR OVERALL, OR EFFECTIVELY, TWENTY PERCENT FOR THE LAST HALF OF 1978. THREE FIELD OFFICE OFFICIAL POSITIONS WERE ABOLISHED UNDER STAFF AND SERVICES AND ONE UNDER SPECIAL PROGRAMS, IN ADDITION TO 14 EMPLOYEE BUDGET LINES UNDER STAFF AND SERVICES AND FIVE UNDER SPECIAL PROGRAMS. DESPITE THESE ACTIONS, STAFF AND SERVICES COSTS HAVE ACTUALLY INCREASED FROM \$4,777,650 TO \$4,982,800 AS A RESULT OF THE OFFSETTING LOSS IN U.S. DOLLAR VALUES. FOR EXAMPLE, DE-
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SPITE DELETION OF THREE BUDGET LINES IN AUSTRIA, COSTS OF THAT OFFICE INCREASED BY \$15,900. IN ITALY, \$105,200 IS REQUIRED TO COVER TERMINAL EMOLUMENT COSTS; WHILE IN LATIN AMERICA, DESPITE ABOLITION OF EIGHT EMPLOYEE POSITIONS, COSTS HAVE INCREASED BY \$46,500.

9. OVERALL, TOTAL PERSONNEL REDUCTIONS IN 1978 AS COMPARED TO THE PROGRAM AND BUDGET PROPOSALS AMOUNT TO FIVE OFFICIAL POSITIONS AND 40 EMPLOYEE POSITIONS. THE DIRECTOR HOPES TO ACHIEVE ADDITIONAL SAVINGS OF \$200,000 BY THE END OF 1978 AND TO RECEIVE A CONTRIBUTION FROM PORTUGAL AS A RESULT OF AMENDMENT OF THE GOP/ICEM AGREEMENT. THUS, THE OPERATIONAL BUDGET DEFICIT IS NOW PROJECTED AT \$700,000. THE DOCUMENT STATES THAT IF ADDITIONAL RESOURCES CANNOT BE IDENTIFIED TO COVER THIS DEFICIT, "HUGE" STAFF CUTS MUST BE MADE, OR FIELD OFFICE STAFFS MUST BE PLACED ON PROLONGED LEAVE WITHOUT PAY WHICH WOULD RESULT IN DETERIORATION OF ICEM'S OPERATIONAL PROGRAMS.

10. IN CONCLUDING STATEMENT, DIRECTOR EMPHASIZES HIS CONCERN OVER EFFECT OF THIS DISTRESSING FINANCIAL SITUATION ON THE ICEM STAFF AND THE DIFFICULTIES OF WORKING UNDER SUCH CONDITIONS. HE STATES THE IMPOSSIBILITY OF CONTINUING TO REQUIRE THE STAFF TO FOREGO LEAVE AND MAKE OTHER SACRIFICES, AND THAT MANY OF THOSE FACING RETIREMENT DO SO "WITHOUT HOPE OF A PENSION". HE REQUESTS "SERIOUS CONSIDERATION" OF THE PROBLEM BY MEMBER GOVERNMENTS.

11. THE FOREGOING PRESENTATION IS ACCOMPANIED BY SPREAD SHEETS PROVIDING DETAILS OF THE EVOLVING SITUATION OF BOTH THE ADMINISTRATIVE AND OPERATIONAL BUDGETS.

12. COMMENT: FYI ONLY: THIS BLEAK PRESENTATION IS

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INFO OCT-01 IO-13 ISO-00 ABF-01 EB-08 INR-10 SS-15
SP-02 L-03 AF-10 ARA-10 EA-10 EUR-12 NEA-10 CA-01
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P 181648Z AUG 78
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SCARCELY EXAGGERATED. WHILE A GREAT, PERHAPS MAJOR, PART OF ICEM'S CURRENT DIFFICULTIES ARE ATTRIBUTABLE TO THE

FALLING VALUE OF THE DOLLAR ON WHICH ITS BUDGET IS BASED, THE MALAISE IS MORE THAN FINANCIAL. AS THE DIRECTOR CORRECTLY POINTS OUT, WITH THE FUTURE SO UNCERTAIN MORALE IS UNQUESTIONABLY LOW, IF NOT ROCK-BOTTOM. THE DIRECTOR HAS APPEALED TO ICEM EMPLOYEES TO CONSIDER EITHER MAKING VOLUNTARY CONTRIBUTIONS OR TAKING LEAVE WITHOUT PAY FOR ONE MONTH IN AN EFFORT TO EASE THE CRISIS, A BID WHICH WE UNDERSTAND THE EMPLOYEE ASSOCIATION WILL CATEGORICALLY REJECT. MANY ICEM STAFF FEEL THAT TOO MANY SUPER-ANNUATED EMPLOYEES ARE BEING RETAINED UNNECESSARILY AT HIGH COST. A RELATED PROBLEM IS THAT THERE IS NO APPARENT YOUNGER BLOOD TRAINED TO STEP IN AND ASSUME MIDDLE TO UPPER LEVEL EXECUTIVE POSITIONS UPON THE ANTICIPATED MASS EXODUS IN THE RELATIVELY NEAR TERM OF THOSE CURRENTLY OCCUPYING THESE POSITIONS. IN THE MISSION'S VIEW, THE SITUATION REQUIRES STUDY IN DEPTH AND DRASTIC CORRECTIVE ACTION IF ICEM IS TO CONTINUE TO PERFORM EFFECTIVELY THE TASKS FOR WHICH IT WAS ORIGINALLY CREATED. END COMMENT. SORENSON

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Message Attributes

Automatic Decaptioning: Z
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: BUDGETS, PROGRAMS (PROJECTS)
Control Number: n/a
Copy: SINGLE
Draft Date: 18 aug 1978
Decaption Date: 20 Mar 2014
Decaption Note: 25 YEAR REVIEW
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978GENEVA12626
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Expiration:
Film Number: D780338-0881
Format: TEL
From: GENEVA
Handling Restrictions:
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780850/aaaabpha.tel
Line Count: 295
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 53fc6f61-c288-dd11-92da-001cc4696bcc
Office: ACTION HA
Original Classification: CONFIDENTIAL
Original Handling Restrictions: STADIS
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 6
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: STADIS
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 01 aug 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 1700741
Secure: OPEN
Status: NATIVE
Subject: ICEM'S PARLOUS SITUATION REVEALED
TAGS: EFIN, US, ICEM
To: STATE
Type: TE
vdkgvwkey: odhc://SAS/SAS.dbo.SAS_Docs/53fc6f61-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014